

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION

E.I. DU PONT DE NEMOURS AND)
COMPANY, a Delaware corporation) No. 03:12-cv-01104-HU
Plaintiff,)
VS.) **ORDER ON MOTION TO DISMISS**
) **AMENDED LANHAM ACT**
) **COUNTERCLAIM**
HERAEUS PRECIOUS METALS NORTH)
AMERICA CONSHOCKEN LLC, a)
Delaware corporation; and)
SOLARWORLD INDUSTRIES AMERICA,)
INC., an Oregon corporation;)
Defendants.)

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7 HUBEL, Magistrate Judge:

8 The plaintiff E.I. Du Pont de NeMours and Company ("DuPont")
9 sues the defendants Heraeus Precious Metals North America Consho-
10 hocken LLC ("Heraeus") and SolarWorld Industries America, Inc.
11 ("SolarWorld"), alleging infringement of DuPont's patent for a
12 conductive metallization paste used in the production of photo-
13 voltaic solar cells, U.S. Patent No. 8,158,504 ("the '504 Patent").
14 In Heraeus's original Answer, it asserted three counterclaims, the
15 third of which alleged DuPont had violated Section 43(a) of the
16 Lanham Act, 15 U.S.C. § 1125(a), in connection with statements made
17 by DuPont in a press release it issued on July 19, 2012. See Dkt.
18 #25, Counterclaims, ¶¶ 22-26. The court granted DuPont's motion to
19 dismiss that counterclaim because Heraeus had failed to allege a
20 required element; i.e., that DuPont acted in bad faith. See Dkt.
21 # 64, p. 10 (citing, *inter alia* *CollegeNET, Inc. v. Xap Corp.*, 2004
22 WL 2303506, at *10 (D. Or. Oct. 12, 2004)). The dismissal was
23 without prejudice to Heraeus's amendment of the counterclaim to
24 allege bad faith.

25 On March 1, 2013, Heraeus filed its Amended Answer, Affirma-
26 tive Defenses and Counterclaims. Dkt. #70. Heraeus now asserts
27 two counterclaims for unfair competition under the Lanham Act, one
28 entitled "Bad Faith Marketplace Statements Regarding Intellectual

Property Theft" (Count III, the "**IP Theft Counterclaim**"), and the other entitled "Bad Faith Marketplace Statements Regarding Patent Infringement" (Count IV, the "**Patent Infringement Counterclaim**"). *Id.*, Counterclaims, ¶¶ 21-43. The matter before the court is DuPont's motion to dismiss these two counterclaims for failure to state a claim for which relief may be granted, pursuant to Federal Rule of Civil Procedure 12(b)(6). Dkt. #82. DuPont claims Heraeus's amendment suffers from the same defect as before; i.e., failure to plead bad faith properly. In addition, DuPont claims Heraeus's new allegations relating to DuPont's alleged communications to Heraeus's Taiwanese customers fail to state an actionable claim. See *id.*

STANDARDS FOR MOTIONS TO DISMISS

General Standards

Chief Judge Aiken of this court set forth the standard for the court's consideration of a motion to dismiss in *Gambie v. Cornelius*, No. 10-CV-6265-AA, 2011 WL 1311782 (D. Or. Apr. 1, 2011) (Aiken, C.J.). Judge Aiken observed:

Under Fed. R. Civ. P. 12(b)(6), a complaint is construed in favor of the plaintiff, and its factual allegations are taken as true. *Daniels-Hall v. Nat'l Educ. Ass'n*, 629 F.3d 992, 998 (9th Cir. 2010). "[F]or a complaint to survive a motion to dismiss, the non-conclusory 'factual content,' and reasonable inferences from that content, must be plausibly suggestive of a claim entitling the plaintiff to relief." *Moss v. United States Secret Serv.*, 572 F.3d 962, 969 (9th Cir. 2009). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (2009). "[O]nce a claim has

1 been stated adequately, it may be supported by
 2 showing any set of facts consistent with the
 3 allegations in the complaint." *Bell Atlantic*
 4 *Corp. v. Twombly*, 550 U.S. 544, 563[, 127 S.
 5 Ct. 1955, 1969, 167 L. Ed. 2d 929] (2007).
 "[G]enerally the scope of review on a motion
 to dismiss for failure to state a claim is
 limited to the Complaint." *Daniels-Hall*, 629
 F.3d at 998.

6 *Id.* at *2.

7 8 ***Consideration of Matters Outside the Pleadings***

9 "As a general matter, a district court may not consider any
 10 material outside of the pleadings when ruling on a Rule 12(b)(6)
 11 motion." *O'Connell-Babcock v. Multnomah County, Oregon*, No. 08-cv-
 12 459-AC, slip op., 2009 WL 1139441 at *4 (D. Or. Apr. 24, 2009)
 13 (King, J.) (citing *Lee v. City of Los Angeles*, 250 F.3d 668, 688
 14 (9th Cir. 2001)). However, the Ninth Circuit recognizes two
 15 exceptions to this rule. First, the court may consider documents
 16 "'whose contents are alleged in a [pleading] and whose authenticity
 17 no party questions, but which are not physically attached to the
 18 . . . pleading.'" *Parrino v. FHP, Inc.*, 146 F.3d 699, 705-06 (9th
 19 Cir. 1998) (quoting *Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir.
 20 1994)), superseded by statute on other grounds as recognized in
 21 *Abrego Abrego v. The Dow Chemical Co.*, 443 F.3d 676, 681 (9th Cir.
 22 2006); accord *Lee v. City of Los Angeles*, 250 F.3d 668, 688 (9th
 23 Cir. 2001) (citing *Parrino*); *Vanguard Prods. Group v. Merchandising*
 24 *Technologies, Inc.*, slip op., 2008 WL 939041, at *3 (D. Or. Apr. 3,
 25 2008) (Brown, J.) (same; quoting *Lee*).

26 In the current case, Heraeus's Lanham Act counterclaims arise,
 27 in part, from statements made by DuPont in a press release issued
 28 on July 19, 2012. A copy of the press release is attached as

1 Exhibit 1 to the Declaration of Matthew W. Brewer in support of
2 DuPont's Motion to Dismiss. Dkt. #84-1. Because Heraeus makes
3 allegations regarding the press release and the language of the
4 press release is integral to Heraeus's Lanham Act counterclaims,
5 and further because its authenticity is not at issue, the court may
6 consider the press release in ruling on DuPont's motion to dismiss.
7 *See Parrino, supra.*

8 "Second, under Fed. R. Evid. 201, a court may take judicial
9 notice of 'matters of public record'" in considering a motion to
10 dismiss. *Lee*, 250 F.3d at 688-89 (quoting *Mack v. South Bay Beer*
11 *Distrib.*, 798 F.2d 1279, 1282 (9th Cir. 1986)). A district court's
12 decision regarding whether to take judicial notice of documents is
13 reviewed for abuse of discretion. *Id.*

14 In connection with the present motions, DuPont asks the court
15 to take judicial notice of two types of documents it asserts are
16 "matters of public record." These include (1) a criminal indict-
17 ment of Tung Pham, Heraeus's former head of R&D, charging him with
18 theft of trade secrets, see Dkt. #84-3; and (2) public documents
19 relating to prosecution of the '254 Patent, see Dkt. #84-2. The
20 court will take judicial notice of these documents for purposes of
21 the current motions.

22 DuPont further asks the court to take judicial notice of some
23 of Heraeus's discovery responses. DuPont has not cited any
24 authorities from this court or the Ninth Circuit Court of Appeals
25 in support of its request, although it has cited two cases from
26 federal district courts in Connecticut and California, in which
27 those courts indicated discovery responses may be considered on a
28 Rule 12(b)(6) motion. See Dkt. #83, p. 10 (citing *Harris v.*

1 *Stonecrest Care Auto Ctr., LLC*, 559 F. Supp. 2d 1088, 1089 (S.D.
2 Cal. 2008); *Steiner v. Shawmut Nat'l Corp.*, 766 F. Supp. 1236, 1241
3 n.13 (D. Conn. 1991)). The court finds discovery responses are a
4 type of materials "outside the pleadings" that would require the
5 court to treat DuPont's motion to dismiss as one for summary
6 judgment under Rule 56. See Fed. R. Civ. P. 12(d). The court
7 declines to embark on that course of action at this juncture.
8 Therefore, these discovery responses are not considered on this
9 motion to dismiss.

11 **DISCUSSION**

12 Heraeus's Lanham Act counterclaims are based on representa-
13 tions it alleges DuPont made concerning Heraeus and its products.
14 Both of the counterclaims allege DuPont misrepresented the legiti-
15 macy of Heraeus's products in the press release. The press release
16 is titled, "DuPont Addresses Patent Protection at Solarbuzz China
17 Conference; Intellectual Property Theft Growing in Competitive
18 Climate of Photovoltaics." *Id.* According to Heraeus, the release
19 was issued and published on the internet, and also distributed by
20 DuPont directly to DuPont's and Heraeus's customers via email.

21 Among other things, the press release discusses the growth of
22 intellectual property theft in the photovoltaic industry, and
23 mentions that DuPont filed the present case for patent infringement
24 against Heraeus. In pertinent part, the release states as follows:

25 Shanghai, July 19, 2012 - DuPont Electronics &
26 Communications Managing Director for Greater
27 China, Walt Cheng, was a featured speaker
28 today at the Solarbuzz China Photovoltaics
(PV) Conference in Shanghai. In addressing
the importance of materials supply in PV manu-
facturing, Cheng emphasized the critical role

1 innovation plays in advancing the solar energy
2 industry, and the growing significance of
3 intellectual property protection in today's
4 increasingly competitive PV market.

5 ". . . . Intellectual Property (IP) theft is
6 widespread and the issue seems to be growing
7 in the current climate of this industry. IP
8 theft, left unchecked, has the potential to
9 threaten the PV industry broadly at a critical
10 time in its development. Everyone at every
11 level in the industry benefits from vigorous
12 competition that spurs innovation, bringing
13 cutting-edge products to the global market.
14 IP theft diminishes competition and reduces
15 innovation. If there is no longer an incen-
16 tive for companies to deliver new innovations,
17 the progress we've made together to accelerate
18 the growth of solar energy can stall."

19

20 "As DuPont continues to develop new tech-
21 nology, we need to ensure it is protected,"
22 said Cheng. "We do not ignore infringement
23 and will pursue aggressively other points in
24 the PV supply chain where IP infringement of
25 our PV metallization pastes exists."

26 Cheng indicated this set of actions continues
27 in the manner of previous DuPont actions
28 involving IP protection in China and other
countries in the world. The company recently
filed two lawsuits against PV metallization
paste supplier Heraeus and one against its
customer SolarWorld, for infringing on DuPont
patents for DuPont™ Solamet® PV metallization
pastes.

Cheng asked for increased support from the
industry to guard against infringement and
stronger opposition to the use of "infringing"
materials in the production and sale of down-
stream products by cell and module makers, PV
system developers, installers and owners.
Infringing companies expose themselves, and
potentially others they do business with, to
the full range of legal remedies.

Dkt. #84-1, pp. 1-2. Heraeus claims DuPont's intimation that
Heraeus has committed theft of intellectual property and infringed
DuPont's patents is false; the statements were made for the purpose

1 of confusion and mistake; and Heraeus has been damaged by DuPont's
2 statements. See Dkt. #70, Counterclaims, ¶¶ 21-28.

3 Most of Heraeus's allegations in the IP Theft Counterclaim
4 regarding the press release mirror the allegations Heraeus made in
5 its previously-dismissed Lanham Act Counterclaim. To address the
6 court's finding that Heraeus must allege DuPont acted in bad faith,
7 Heraeus has added the following to the IP Theft Counterclaim:

8 27. DuPont's marketplace statements
9 accusing Heraeus of intellectual property
10 theft were made in bad faith. DuPont's July
11 19th press release states by necessary impli-
12 cation that DuPont brought two lawsuits
13 against Heraeus for redress of "intellectual
14 property (IP) theft." DuPont knew or should
15 have known that this statement is literally
16 false. Theft, according to Oregon Revised
17 Statute § 164.015 and the common law, requires
18 pleading and proof of intent or mens rea.
19 Neither of DuPont's complaints, however,
20 alleges any type of theft or even intentional
21 infringement of DuPont's patents. Instead,
22 DuPont's Oregon complaint omits any allegation
23 of willful infringement and does not even
24 allege pre-suit knowledge of the '504 patent
25 by Heraeus. DuPont knew that Heraeus could
26 not possibly have stolen what it did not know
27 existed, so DuPont's false representations
28 otherwise constitute bad faith. Although
29 DuPont's Delaware complaint originally includ-
30 ed an allegation of willfulness, DuPont with-
31 drew that allegation when pressed, conceding
32 that "DuPont does not at this time assert a
33 claim for willful infringement." [Citation
34 omitted.] DuPont's bad faith is further
35 demonstrated by the fact that DuPont published
36 false accusations of "intellectual property
37 (IP) theft" after having conceded that it was
38 not asserting willful infringement against
39 Heraeus.

40 Dkt. #70, Counterclaims, ¶ 27.

41 The Patent Infringement Counterclaim also contains allegations
42 relating to the press release, see Dkt. #70, Counterclaims, ¶¶ 31,
43 36-39 & 41-43. In addition, Heraeus alleges DuPont made certain

1 communications to four of Heraeus's customers in Taiwan, regarding
2 DuPont's U.S. Patent No. 7,767,254 (the "'254 patent"), as follows:

3 32. On information and belief, DuPont
4 falsely represented to Heraeus'[s] Customer
5 No. 1 in Taiwan, either directly or through
6 DuPont's customer (Customer No. 2 in China),
7 that Heraeus infringes [the '254 Patent],
8 which has been asserted against Heraeus in
9 U.S. District Court in Delaware, and that
10 DuPont is very confident about its ability to
11 win in court against Heraeus. On information
12 and belief, DuPont's statements were intended
13 to unlawfully coerce Customer No. 1 from
14 purchasing photovoltaic paste from Heraeus.

15 33. On information and belief, DuPont
16 communicated to Heraeus'[s] Customer No. 3 in
17 Taiwan that it may be accused of willful
18 infringement of the '254 patent, if Customer
19 No. 3 continues to purchase and use
20 Heraeus'[s] products. On information and
21 belief, DuPont's statements were intended to
22 unlawfully coerce Customer No. 3 from pur-
23 chasing photovoltaic paste from Heraeus.
24 DuPont's July 19th press release caused
25 Customer No. 3 to be concerned about con-
26 tinuing to do business with Heraeus.

27 34. On information and belief, DuPont
28 approached Heraeus'[s] Customer No. 4 in
Taiwan and stated that DuPont expects to sue
Heraeus for patent infringement based on its
9600 series products and that DuPont is very
confident that it will win. On information
and belief, DuPont's statements were intended
to unlawfully coerce Customer No. 4 from
purchasing photovoltaic paste from Heraeus.

 35. On information and belief, DuPont
threatened litigation against Heraeus'[s]
Customer No. 5 in Taiwan, if it continues to
purchase paste from Heraeus, rather than
buying from DuPont. On information and
belief, DuPont's statements were intended to
unlawfully coerce Customer No. 5 from pur-
chasing photovoltaic paste from Heraeus.
After receiving DuPont's threats and seeing
DuPont's July 19th press release, Customer
No. 5 was concerned about continuing to do
business with Heraeus.

 36. DuPont's communications to Customers
Nos. 1 to 5 and July 19th press release misled

these customers into believing that Heraeus infringes DuPont's patents, causing them to be reluctant to continue to purchase photovoltaic paste from Heraeus. Customers Nos. 1 to 5 together with the other customers who were deceived by DuPont's July 19th press release and communications, represent a significant portion of the purchasers of front side silver photovoltaic paste.

Id., ¶¶ 32-36. In subsequent paragraphs, Heraeus claims DuPont's communications and representations set forth in the quoted paragraphs were made in bad faith because DuPont knew or should have known they were false, and the statements were intended to discredit Heraeus and its products and promote DuPont's own competing products. See *id.*, ¶¶ 37-43.

To prevail on its claims that DuPont violated Section 43(a) of the Lanham Act, Heraeus must show DuPont made marketplace statements or representations that contained a "false or misleading description of fact, or false or misleading representation of fact," which:

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities[.]"

15 U.S.C. § 1125(a) (1).

In *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134 (9th Cir. 1997), the Ninth Circuit set out the elements of a Section 43(a) false advertising claim, as follows:

(1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products. . . . To demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers. *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943, 946 (3d Cir. 1993)[.]

Southland, 108 F.3d at 1139 (footnote, internal citations omitted).

In addition, "before a patentee may be held liable under § 43(a) for marketplace activity in support of its patent, and thus be deprived of the right to make statements about potential infringement of its patent, the marketplace activity must have been undertaken in bad faith." *CollegeNET*, 2004 WL 2303506, at *10 (internal citations and quotation marks omitted).

The court previously found that Heraeus's allegations regarding the press release met these pleading standards except for the requirement that Heraeus allege DuPont's bad faith. In its current motion, DuPont has raised the issue of whether Heraeus has pled bad faith properly. DuPont argues that because a bad faith claim is grounded in fraud, the heightened pleading standard of Federal Rule of Civil Procedure 9(b) applies, and Heraeus has failed to meet its obligation to plead DuPont's alleged bad faith with particularity. See Dkt. #83.

1 In *CollegeNET, Inc. v. Xap Corp.*, 2004 WL 2303506 (D. Or. Oct.
 2 12, 2004), I held that where a Lanham Act plaintiff alleges "a
 3 unified course of fraudulent conduct and relies entirely on that
 4 course of conduct as the basis of the claim," then "the claim is
 5 'grounded in fraud,' and the heightened pleading standard of Rule
 6 9(b) applies." *Id.*, 2004 WL 2303506, at *5; accord *Vanguard Prods.*
 7 *Group v. Merchandising Technologies, Inc.*, 2008 WL 939041, at *4
 8 (D. Or. Apr. 3, 2008) (Brown, J.). "'Rule 9(b) applies to 'all
 9 averments of fraud or mistake'; it requires that 'the circumstances
 10 constituting fraud . . . be stated with particularity' but provides
 11 that '[m]alice, intent, knowledge, and other condition of mind of
 12 a person may be averred generally.'" *Learning Internet v.*
 13 *Learn.com, Inc.*, 2008 WL 2037282, at *2 (D. Or. May 6, 2008)
 14 (Marsh, J.) (quoting *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*,
 15 551 U.S. 308, 319, 127 S. Ct. 2499, 2507, 168 L. Ed. 2d 179 (2007),
 16 in turn quoting Fed. R. Civ. P. 9(b)). In *CollegeNET*, I discussed
 17 what is necessary to plead fraud with sufficient particularity:

18 As noted in *Vess [v. Ciba-Geigy Corp.*
 19 *USA*, 317 F.3d 1097 (9th Cir. 2003)], "[a]ver-
 20 ments of fraud must be accompanied by the who,
 21 what, when, where, and how of the misconduct
 22 charged." *Vess*, 317 F.3d at 1106 (internal
 23 quotation omitted). Under Rule 9(b), a com-
 24 plaint must "state the time, place, and spe-
 25 cific content of the false representations as
 26 well as the identities of the parties to the
 27 misrepresentation." *Alan Neuman Prods., Inc.*
 28 *v. Albright*, 862 F.2d 1388, 1392-92 (9th Cir.
 1989). Additionally, "[t]he plaintiff must
 set forth what is false or misleading about a
 statement, and why it is false. In other
 words, the plaintiff must set forth an expla-
 nation as to why the statement or omission
 complained of was false or misleading." *In re*
Glenfed, Inc. Sec. Litig., 42 F.3d 1541, 1548
 (9th Cir. 1994). The plaintiff must also show
 that the statement complained of was false or

misleading at the time it was made. *Id.* at 1548-49.

CollegeNET, 2004 WL 2303506, at *6.

Applying these pleading standards to Heraeus's Lanham Act counterclaims requires examination of Heraeus's specific allegations regarding DuPont's alleged bad faith. In the IP Theft Counterclaim, Heraeus alleges the following:

- DuPont "made material false representations regarding Heraeus'[s] front side silver photovoltaic paste products" by issuing the press release, "targeted at Heraeus'[s] customers." The press release was issued on July 19, 2012, and its language "necessarily implies" that Heraeus's "photovoltaic metallization pastes are the result of Heraeus'[s] alleged 'IP theft.'" The language of the press release further "threatens legal action" against customers who use "infringing materials."
- DuPont distributed the press release widely, including publishing it on the Internet and distributing it directly to DuPont's and Heraeus's customers.
- DuPont's statements in the press release were made in bad faith because DuPont "knew or should have known" that Heraeus has not committed IP theft, evidenced by DuPont's withdrawal, in the Delaware lawsuit, of any claim for "willful infringement," and its failure to include any claim of willful infringement in the present action. DuPont has not alleged Heraeus had any pre-suit knowledge of the '504 patent, and thus "knew that Heraeus could not possibly have stolen what it did not know existed."

Dkt. #70, ¶¶ 23-27. The court finds these allegations meet Rule 9(b)'s heightened pleading standards. Heraeus has identified the who, what, when, where, why, and how of its bad faith claim.

In the Patent Infringement Counterclaim, Heraeus again alleges DuPont made false representations in the press release, but further alleges DuPont made specific communications with four of Heraeus's customers in Taiwan. Heraeus alleges DuPont's statements and

1 accusations regarding Heraeus and its products "were false and
2 misleading and were made in bad faith," *id.*, ¶ 39, and then sets
3 out the following specific allegations regarding why DuPont "knew
4 or should have known that its accusations of infringement in its
5 July 19, 2012 press release and its communications to Heraeus'[s]
6 customers [were] false":

7 40. With respect to the '254 patent
8 asserted against Heraeus in Delaware, DuPont
9 knew or should have known that the patent is
10 invalid over prior art methods of making solar
11 cell electrodes. On information and belief,
12 before the priority date of the '254 patent,
13 DuPont manufactured, used and sold back side
14 paste containing silver particles with a
15 specific surface of 0.20-0.60m²/g, and, at the
16 time it brought suit against Heraeus, DuPont
17 knew or should have known that the '254 patent
18 is invalid as anticipated by DuPont's own
19 prior commercial activities. No objectively
20 reasonable basis exists for concluding that
21 DuPont's prior manufacture, use and sale of
22 such back side paste does not anticipate the
23 claims of the '254 patent. There is no lan-
24 guage in the body of the '254 patent claims
25 that limits their scope to front side paste.
26 The preamble of the claim is presumptively not
27 limiting, and there is no disclaimer, dis-
28 avowal or other statement in the prosecution
history that limits the claims to front side
paste. Accordingly, DuPont could not have
formed a subjective good faith belief that the
'254 patent is valid in view of DuPont's prior
manufacture, use and sale of back side paste.

41. With respect to the '504 patent
asserted against Heraeus in this action,
DuPont knew or should have known that Heraeus
does not infringe that patent. The claims of
the '504 patent require a thick film
conductive composition where the organic
medium contains "one or more components
selected from the group consisting of: Bis(2-
(2Butoxyethoxy)Ethyl)Adipate, dibasic ester,
Octyl Epoxy Tallate, isotetradecanol, and
pentaerythritol ester of hydrogenated rosin."
If DuPont had adequately investigated its
claim prior to filing suit, it would have
known that Heraeus'[s] commercial paste
products to not contain any of these chemical

1 compounds and do not infringe any of the
2 claims of the '504 patent.

3 42. On information and belief, prior to
4 filing its complaint in this action, DuPont
5 tested samples of the following Heraeus[]
6 commercial paste products: 9235, 9257 and
7 9411. After the complaint was filed, DuPont
8 tested additional samples of these same
9 products and concluded that it would not
10 continue to pursue its infringement claim.
11 The formulations for these products have never
12 contained any of the chemical compounds listed
in the preceding paragraph. Furthermore,
Heraeus stopped selling the 9257 product prior
to the issue date of the '504 patent. There-
fore, if DuPont had adequately investigated
its claim prior to filing suit, it would have
known that Heraeus does not infringe any of
the claims of the '504 patent. DuPont could
not possibly have formed a subjective good
faith belief that Heraeus infringed the '504
patent.

13 *Id.*, ¶¶ 40-42.

14 Many of DuPont's arguments in support of its motion to dismiss
15 the Patent Infringement Counterclaim go more to the merits of
16 Heraeus's claims than to the pleading standards. For example,
17 DuPont claims "Heraeus has admitted to using and shipping
18 infringing front-side paste formulations," and Heraeus has made
19 certain additional admissions in its discovery responses. Dkt.
20 #83, pp. 9-10 (citing Heraeus's discovery responses). As discussed
21 above, the court declines to take judicial notice of Heraeus's
22 discovery responses for purposes of DuPont's motion to dismiss.
23 DuPont also relies on its own conclusory assertion that "Heraeus
24 has infringed DuPont's '504 Patent." *Id.*, p. 11. The issue of
25 whether Heraeus has infringed the '504 Patent is the very object of
26 this case.

27 DuPont also claims its statements in the press release
28 regarding IP theft "are true because Heraeus's former R&D head is

1 under criminal indictment for converting trade secrets *to benefit*
2 *Heraeus*." Dkt. #83, p. 12 (emphasis added). There is nothing in
3 the Indictment to indicate the criminal defendant's actions were
4 taken on behalf of, or to benefit, Heraeus. On the contrary, the
5 indictment in question alleges the defendant took actions in direct
6 violation of his employment agreement with Heraeus, suggesting
7 Heraeus may well be the victim, not the beneficiary, of his
8 actions.

9 With regard to Heraeus's allegations concerning DuPont's
10 communications to Heraeus's customers in Taiwan, DuPont further
11 argues Heraeus has failed to plead that the alleged statements had
12 "a substantial effect on commerce within the scope of Congress's
13 power," and thus, Heraeus has failed to plead DuPont's alleged
14 statements were made "in commerce" as contemplated by the Lanham
15 Act. Dkt. #83, p. 16 (citing *Kiobel v. Royal Dutch Petrol. Co.*,
16 ___ U.S. ___, 133 S. Ct. 1659 (2013)¹). DuPont further argues its
17 alleged statements to Heraeus's customers in Taiwan did not
18 constitute "commercial advertising or promotion," as protected by
19 15 U.S.C. § 1125(a)(1). *Id.*, pp. 12-15.

20 Heraeus responds that its allegations regarding DuPont's
21 communications to the Taiwanese customers should not be considered
22 in isolation; rather, Heraeus made those allegations as further
23

24 ¹DuPont has not included a parenthetical, or any discussion,
25 to indicate how it contends *Kiobel* supports its argument. If
26 *Kiobel* offers any support at all, it would be in *dicta*; the case
27 concerns "whether and under what circumstances courts may recognize
28 a cause of action under the Alien Tort Statute, for violations of
the law of nations occurring within the territory of a sovereign
other than the United States." 133 S. Ct. at 1662. This court
finds nothing in the *Kiobel* opinion sufficiently relevant to the
current motion to dismiss to warrant discussion.

1 support for its claim that DuPont has engaged in widespread
2 dissemination of its damaging communications to the relevant
3 marketplace. The court agrees with Heraeus. In the Patent
4 Infringement Counterclaim, Heraeus is not seeking damages for
5 discrete instances of DuPont's communications with the Taiwan
6 customers; it is seeking damages for DuPont's alleged widespread
7 dissemination of damaging communications in the relevant market-
8 place.

9 DuPont has correctly cited relevant case law with regard to
10 the identification of "commercial speech," but has drawn erroneous
11 conclusions from those cases. In *Coastal Abstract Service, Inc. v.*
12 *First American Title Insurance Co.*, 173 F.3d 725 (9th Cir. 1999),
13 the court adopted as "accurate and sound" the following criteria
14 "for determining whether representations constitute 'commercial
15 advertising or promotion'":

16 In order for representations to constitute
17 "commercial advertising or promotion" under
18 Section 43(a)(1)(B), they must be: (1) commer-
19 cial speech; (2) by a defendant who is in
20 commercial competition with plaintiff; (3) for
21 the purpose of influencing consumers to buy
22 defendant's goods or services. While the
23 representations need not be made in a "classic
24 advertising campaign," but may consist instead
25 of more informal types of "promotion," the
26 representations (4) must be disseminated suf-
27 ficiently to the relevant purchasing public to
28 constitute "advertising" or "promotion" within
that industry."

24 *Id.*, 173 F.3d at 734 (quoting *Gordon & Breach Science Pubs. v. Am.*
25 *Inst. of Physics*, 859 F. Supp. 1521 (S.D.N.Y. 1994)); see *Seven-Up*
26 *Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996) (adopting
27 the *Gordon & Breach* criteria); see also *Cook, Perkiss and Liehe,*
28 *Inc. v. Northern Calif. Coll. Serv., Inc.*, 911 F.2d 242, 245 (9th

1 Cir. 1990) (recognizing that a Lanham Act claim for false
2 advertising "extends to false representations made by implication
3 or innuendo"; citations omitted). DuPont also cites *Fashion*
4 *Boutique of Short Hills, Inc. v. Fendi USA, Inc.*, 314 F.3d 48 (2d
5 Cir. 2002), where the court held "the touchstone of whether a
6 defendant's actions may be considered 'commercial advertising or
7 promotion' under the Lanham Act is that the contested representa-
8 tions are part of an organized campaign to penetrate the relevant
9 market." *Id.*, 314 F.3d at 57.

10 Heraeus has alleged facts supporting a reasonable inference
11 that DuPont has engaged in "an organized campaign to penetrate the
12 relevant market." *Id.* Heraeus claims DuPont's alleged communica-
13 tions to the relevant marketplace include a combination of the
14 press release and DuPont's representations to Heraeus's individual
15 customers, allegedly made for the specific purpose of influencing
16 customers to buy DuPont's products rather than Heraeus's. *Cf.*,
17 *e.g.*, *Synthes, Inc. v. Emerge Medical, Inc.*, 2012 WL 4205476 (E.D.
18 Pa. Sept. 19, 2012) (noting defendant's communications, "taken in
19 isolation . . . appear[ed] to identify only sporadic instances of
20 dissemination," but a closer reading raised "reasonable inferences
21 . . . that they merely exemplif[ied] a broad and widespread
22 dissemination of the statements to the relevant purchasing public,
23 such that they constitute[d] advertising or promotion within the
24 industry"). For this purpose, in the context of this case, it is
25 irrelevant whether the customers with whom DuPont allegedly
26 communicated were located within or outside of the United States.
27 There is no dispute that DuPont and Heraeus are both American
28 corporations engaged in commercial competition.

1 Nevertheless, for purposes of testing the adequacy of
2 Heraeus's pleading, its allegations regarding DuPont's communica-
3 tions with the Taiwanese customers fail to meet Rule 9(b)'s
4 requirements. At oral argument, Heraeus indicated it had not made
5 its allegations more specific regarding these communications for
6 "confidentiality" reasons. If Heraeus fears it would violate some
7 privilege, protective order, or other legitimate "confidentiality"
8 concern, it could file its pleading in redacted form in the public
9 record, with an unredacted version filed under seal. It cannot,
10 however, fail to comply fully with Rule 9(b)'s requirements that
11 its bad faith claims be made with sufficient particularity.
12 Accordingly, DuPont's motion to dismiss will be granted as to
13 Heraeus's Patent Infringement Counterclaim ("Count IV").

In conclusion, DuPont's motion to dismiss is **denied** as to Heraeus's Counterclaim Count III, the IP Theft Counterclaim, and **granted** as to Heraeus's Counterclaim Count IV, the Patent Infringement Counterclaim. Heraeus will be granted one additional opportunity to plead the Patent Infringement Counterclaim with sufficient particularity to comply with Rule 9(b). Its amended counterclaim must be filed **by June 21, 2013**.²

21 IT IS SO ORDERED.

Dated this 7th day of June, 2013.

/s/ Dennis J. Hubel

Dennis James Hubel
Unites States Magistrate Judge

28 ²The court will rule on DuPont's motion for Rule 56(d) discovery in a separate order.